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SUBJECT: SCENESSETTER FOR THE VISIT OF THE DEPUTY SECRETARY TO
MONTENEGRO

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¶1. (SBU) SUMMARY: You are the highest-level State Department official to visit Montenegro since its independence in 2006, and your arrival represents a major milestone in our bilateral relationship and a great opportunity for us to advance our broader goals in this region. I recommend that two themes dominate the visit: a) building on our close bilateral partnership, and b) promoting Montenegro as a positive model that can help bring lasting stability throughout the Balkans.

¶2. (SBU) We have a significant interest in helping Montenegro become the next Balkan success story, an achievable goal that would generate positive reverberations in Serbia, Bosnia, and elsewhere. Alone among the non-NATO ex-Yugoslav states, Montenegro faces no daunting obstacles to NATO and the EU, and the country's stable, pro-U.S. leadership is intent on bringing Montenegro into those organizations as soon as possible. Moreover, Montenegro is unique in the Balkans in having built positive relationships with all other countries in the region (including Kosovo) and can potentially play a moderating role.

¶3. (SBU) Your visit can help accelerate Montenegro's timeline for success by building on the encouraging signals from the April NATO Summit. Montenegro hopes to be invited into NATO's Membership Action Plan (MAP) in 2009 and will appreciate your views as to its prospects. Given Montenegro's strong ties with all the other Balkan countries, you could also encourage the President and Prime Minister to help us move our agenda forward elsewhere. END SUMMARY.

Stable, Pro-Western Democracy

¶4. (SBU) Montenegro has come a long way in the three years since independence from the state union with Serbia. The country has held democratic elections, built state institutions, privatized and grown its economy, adeptly managed relations among its ethnic groups (Montenegrins, Serbs, Muslims, Bosniaks, Albanians, Croats, Roma, and others), and launched an ambitious drive for full Euro-Atlantic integration. There is a general societal consensus for EU membership (although not yet for NATO), and the Government is wholeheartedly gunning for early accession to NATO and the EU. Moreover, none of the complex obstacles tripping up other non-NATO Balkan states (constitutional issues, name disputes, recognition, ICTY, Kosovo, etc.) stands between Montenegro and achievement of this

goal. In short, Montenegro has all the ingredients to be a success story -- a market-based democracy anchored in the key Euro-Atlantic institutions. Such success would reverberate positively throughout the region, especially in Serbia and Bosnia.

¶5. (SBU) A few possible bumps lie in the road. One is Montenegro's small size - despite its progress, it has had difficulty getting the attention of its Western partners. Secondly, some European states continue to lean in the direction of instinctively lumping Montenegro in with other countries in the region, rather than fostering Montenegro as a positive model that can have a "pulling effect" on other Balkan states lagging behind. Finally, Montenegro has a major challenge in overcoming an at least partly-deserved reputation for problems in the rule of law area (more below).

¶6. (SBU) Pre-term parliamentary elections in late March resulted in a landslide victory for Prime Minister (PM) Djukanovic's ruling Democratic Party of Socialists (DPS) - Social Democratic Party (SDP) coalition - now including Bosniak and Croat parties - over a fragmented and fractious opposition. As was the case with the 2006 independence referendum and subsequent polls, the OSCE assessed this election as generally meeting international standards. PM-designee Djukanovic, who will head the GoM for the sixth time, has pledged to intensify Montenegro's drive for EU and NATO membership.

Strong Bilateral Relationship

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¶7. (SBU) Montenegro's pro-American leadership views us as a strategic ally and is genuinely grateful for critical U.S. assistance which helped keep the country afloat after Montenegro broke with Milosevic in the late 90s. The GoM generally supports U.S. priorities, sometimes at considerable political risk. For example, the GoM is enthusiastically pursuing NATO membership despite limited public support, and it recognized Kosovo in October 2008 over virulent domestic opposition and dire warnings from neighboring Serbia.

¶8. (SBU) In addition, since independence, Montenegro has signed Article 98 and Status of Forces agreements and destroyed almost 90 percent of its Man Portable Air Defense Systems (MANPADs) under a USG program. In September 2007, at the USG's behest, Montenegro donated more than 1,500 small arms weapons and 200,000 rounds of ammunition to Afghanistan. In December 2007, it signed a transit agreement allowing NATO to supply KFOR. None of these actions was domestically popular.

¶9. (SBU) In October 2007, at the USG's request, the GoM committed to send troops from its fledgling military to Iraq. Before that commitment could be fulfilled, the GoM agreed to a new USG request to deploy an infantry platoon to the International Security Assistance Force (ISAF) mission in Afghanistan. In late April, Montenegro contracted U.S. firm MPRI to train two platoons, one of which is expected to deploy with a German outfit by the end of the year (the other will rotate in after six months). Montenegro also will send a three-man medical team to the ISAF in August. I suggest that you ask the Prime Minister to provide a firmer timeline as to

when the first Montenegrin platoon will arrive in Afghanistan.

¶10. (SBU) Embassy Podgorica is almost alone among EUR posts in not issuing visas. This is a major bilateral issue which we hear about almost daily from a wide range of interlocutors. While we have made no public announcements, we expect to begin issuing visas in mid-July. You may wish to inform the President and Prime Minister of our plans to do so.

Pushing Hard For EU and NATO

¶11. (SBU) EU and NATO membership are the GoM's top strategic goals. Montenegro applied for candidate status in the EU in December 2008. In April, the European Commission began its assessment (the "avis"), which could eventually result in Montenegro being granted formal candidate status, perhaps in the latter part of 2010.

¶12. (SBU) The GoM also is pushing hard to integrate with NATO - and has made notable progress. Montenegro was invited to Intensified Political Dialogue at the 2008 Bucharest Summit, and it received a very positive PARP assessment earlier this year. The April 2009 Summit communique was a major success for Montenegro, as the Alliance sent strong signals that Montenegro is on the fast track to MAP.

¶13. (SBU) The GoM hopes to receive a MAP invitation at or before the December NATO ministerial, and initial soundings suggest that Allies believe this is achievable. The GOM would welcome your views as to whether the USG will support Montenegro joining MAP in 2009.

¶14. (SBU) Public support for NATO is still somewhat tepid, in significant measure due to memories of the 1999 NATO intervention. According to recent polls, public support stands slightly above 30 percent, with another 40 percent opposed and the remainder undecided. The GOM, assisted by NGOs, has initiated an aggressive communications strategy to increase public support for membership.

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Positive Regional Role

¶15. (SBU) Montenegro has been a constructive regional player, building good relations with all its neighbors. It actively participates in numerous regional initiatives (such as CEFTA, which it currently chairs, SECI, the Stability Pact, etc.). Montenegro and Croatia recently agreed to refer a dispute over their maritime border (at the entrance to Kotor Bay) to the ICJ, offering a potential model for resolution of similar disputes elsewhere in the region.

¶16. (SBU) The GoM recognized Kosovo in October over widespread

opposition, including large demonstrations. Ethnic Serbs, a third of the population, were particularly incensed. The GoM put off establishing diplomatic relations with Pristina until after the March elections, and continues to treat the issue gingerly. Nevertheless, the governments of Montenegro and Kosovo continue to interact regularly at senior levels, and there has been substantial cooperation among police, border, and customs officials. Moreover, the GoM joined us in supporting Kosovo's membership in the IMF and World Bank.

¶17. (SBU) President Vujanovic has announced that he wants the GoK to officially recognize Kosovo's Montenegrin minority and to establish conditions for the return of some of the 16,000 refugees from Kosovo (many of whom are Roma) who now live in Montenegro. However, the President has assured us that these are not conditions, and FM Rocen told us recently that the GoM still intends to establish diplomatic relations soon (he said the GoM is still waiting for a diplomatic note from Pristina to initiate the process of establishing relations). I recommend that you ask the Prime Minister as to when he expects diplomatic relations to be formalized.

¶18. (SBU) Kosovo recognition strained official relations with Serbia, which promptly expelled Montenegro's ambassador last October. However, bilateral trade and working level cooperation in other areas have continued. Moreover, President Vujanovic will meet with President Tadic on May 18 in Belgrade in a bid to place relations on a stronger footing. You may wish to discuss with President Vujanovic and the PM ways in which the GOM can urge other leaders in the region to play more helpful roles.

Achilles Heel: Rule of Law?

¶19. (SBU) Montenegro has made significant progress in overcoming its 1990s reputation as an organized crime hub. According to Transparency International and Freedom House rankings, it is about even with or ahead of most of its neighbors in corruption perceptions (as well as in most other democracy measures). However, as in other transition countries, it still faces significant rule of law challenges.

¶20. (SBU) Montenegro is located at an historic smuggling crossroads, and law enforcement officials and the judiciary are underfunded and underequipped. Many Montenegrins list corruption among the country's biggest problems, and some worry that the ruling coalition's dominance will dampen the GoM's desire to vigorously identify and prosecute graft. The Embassy has made strengthening Montenegro's ability to fight crime and corruption a top priority, and we recently established a Resident Legal Advisor office headed by a veteran U.S. federal prosecutor. GoM leaders understand that rule of law issues must be addressed for Montenegro to enter the EU and NATO. Still, I would recommend that you remind them that continued progress in this area will be critical to sustained momentum toward full membership in NATO and the EU.

Global Crisis Meets Booming Economy

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¶21. (SBU) Montenegro's economy, fueled by a boom in coastal tourism and investment, expanded rapidly over the past few years. During this period the GoM also tamed inflation, moved closer to WTO membership, privatized almost 90 percent of the economy, and created a generally business-friendly environment. The result has been the highest per capita rate of FDI in the region.

¶22. (SBU) Although we recently helped establish an AmCham and a U.S.-Montenegro Business Council, U.S. trade and investment remain at disappointingly low levels. However, the GoM plans billions of euros worth of tenders over the next two years in infrastructure, tourism, and energy, and is eagerly courting U.S. investors, in part to balance against heavy Russian investment, most of which occurred earlier in the decade. (In 2008, Russia ranked number one in terms of aggregate FDI to date). We have not seen indications that the Russian economic presence has translated into political or diplomatic influence.

¶23. (SBU) Montenegro's narrow economic base makes it vulnerable to the global economic crisis, which is expected to bring growth (eight percent in 2008) to a virtual standstill this year. Montenegro's largest employer, a Russian-owned aluminum plant, is near bankruptcy, tourist numbers are down (tourism accounts for about 20 percent of GDP), the country's largest domestic bank (majority-owned by the PM's family) required a bailout in December, and the rest of the banking sector remains vulnerable.

¶24. (SBU) The economic crisis could exacerbate economic conditions in northern Montenegro, which trails the more prosperous south and center of the country in virtually every developmental index. This region is potentially vulnerable, as it is home to the majority of Montenegro's anti-independence Serbs, as well as significant numbers of Muslims and Albanians. To mitigate risks, the Embassy has launched a \$10 million USAID program to stimulate private sector growth in this region.

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